

## SUBCOMMITTEE NO. 3

## Agenda

Chair, Senator Denise Moreno Ducheny  
Senator George C. Runner  
Senator Tom Torlakson



Thursday, March 17, 2005  
(Upon Adjournment)  
John L. Burton Hearing Room (4203)  
Consultant, Anastasia Dodson

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**Due to the volume of issues testimony will be limited.** Please be direct and brief in your comments so that others may have the opportunity to testify. Written testimony is also welcome and appreciated. Thank you for your consideration.

**Please Note:** Only those items and issues contained in this agenda will be discussed at this hearing. Issues pertaining to these items may be reviewed again. Please see the Senate File for dates and times of subsequent hearings.

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**5160 Department of Rehabilitation (DOR)****7100 Employment Development Department (EDD)****DOR Issue 1: Economic Engagement: Employment Services for Persons with Disabilities – Information Only**

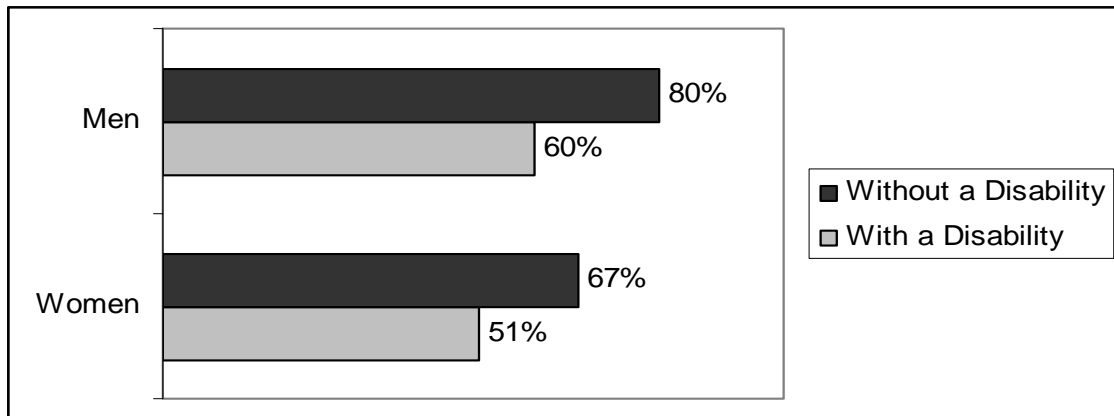
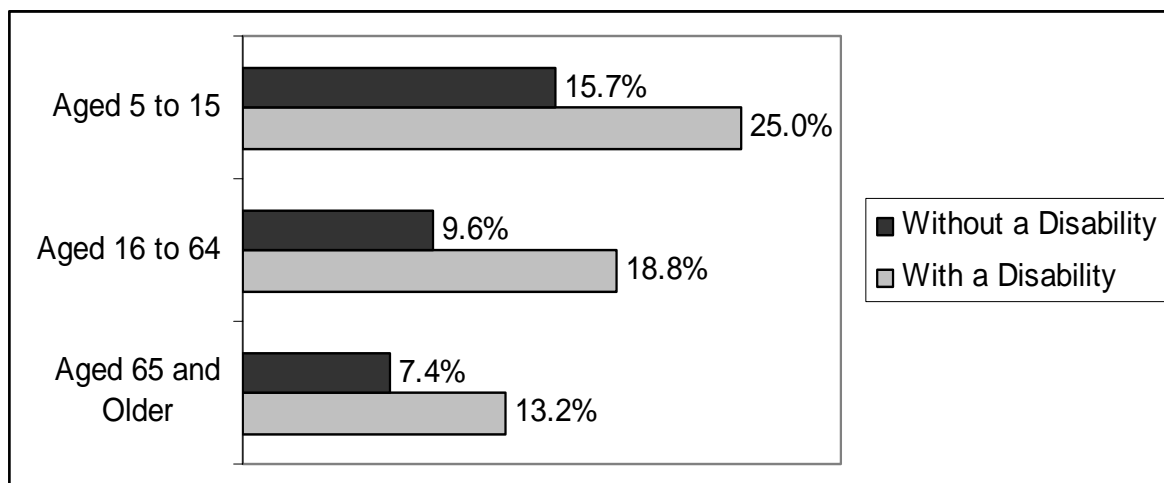
**Description:** People with disabilities are more likely to be unemployed and low-income than people without disabilities. According to the Governor’s Committee on Employment of People with Disabilities, “The employment profile of Californians with disabilities ... is one of a minority population in need of the right opportunities and supports to obtain employment and enjoy what most people take for granted---a life of self-sufficiency and independence.”

While significant efforts have been made to improve state employment programs for persons with disabilities, further efforts for youths may be needed. In addition, the federal Ticket to Work program, which funds employment services for people with disabilities, has been significantly underused due to structural problems at the federal level.

**Background:**

- **Number of Persons with Disabilities, Unemployment Rates and Poverty:** Although exact figures vary due to differences in how disability is defined, current research consistently indicates that:
  - Persons with disabilities are much less likely to be employed than those without disabilities. Employment rates are lowest among those with a self-care disability or with both physical and mental disabilities.
  - Even if employed, persons with disabilities have lower earnings than those without disabilities. Overall, persons with disabilities have a much higher likelihood of poverty than those without disabilities.
- **According to US Census Bureau figures for 2000,** 19.2 percent of Californians report some type of disability, including 2.5 percent with a self-care disability. Among Californians aged 16 to 64, 12.8 percent report an employment disability.

The charts below show national employment and poverty statistics for persons with and without disabilities.

**Employment Among Persons in the US Aged 16 to 64 (US Census 2000)****Poverty Rates Among Persons in the US Aged 5 and Older (US Census 2000)**

- **Employment Barriers for Persons with Disabilities:** Several factors tend to limit employment, and affect both employees and employers:
  - **Competitive Job Market:** Limited opportunities in an increasingly competitive job market.
  - **Skills:** Limited access to programs that teach the necessary skills to meet industry standards required by a competitive job market.
  - **Health Insurance:** Concerns about securing or retaining health coverage to provide the comprehensive healthcare necessary to live independently and participate fully in the workforce.
  - **Personal Care Assistance:** The need for personal care assistance in the workplace.
  - **Supportive Services:** The need for services such as transportation, child care, and housing.
  - **Workplace Liability:** Concerns regarding potential liability or increased workers' compensation costs.

- **Workplace Accommodation:** Concerns that the possible cost of accommodation would be prohibitive.
- **Employment and Public Benefits Are Not Incompatible:** The two primary federal grant programs for persons with disabilities, Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI), require that applicants initially prove they cannot work. However, if recipients later want to work, they can continue receiving reduced grant benefits during a nine-month trial work period, and continue receiving health benefits through Medi-Cal in many cases even after the trial work period ends.
- **Ticket to Work Program:** Under the federal Ticket to Work program, qualified SSDI and SSI beneficiaries receive a "Ticket" in the mail. They may use their Ticket to obtain vocational rehabilitation, employment or other support services from an approved provider of their choice to help them go to work and achieve their employment goals. In the initial roll-out, Californians received their Tickets between November 2003 and September 2004. Tickets continue to be issued to new beneficiaries.

Of the 985,601 job training "Tickets" mailed to Californians with disabilities, only 5,564 have been brought to an employment services provider and assigned. This low utilization rate is comparable to other states. Approximately 80 percent of the assigned Tickets in the state have been served through the Department of Rehabilitation (DOR) Vocational Rehabilitation program.

- **Vocational Rehabilitation (VR):** The DOR operates the VR program, funded primarily with federal funds, to provide vocational services to persons with disabilities. Due to limited funding, the VR program operates under an Order of Selection, which means that persons with the most severe disabilities are served first.

The Governor's Budget includes \$325.5 million to serve 123,000 consumers in 2005-06. This funding includes \$12.5 million in anticipated federal Social Security Administration reimbursement for VR services provided to approximately 1,000 consumers that are expected to achieve earnings above the SSI or SSDI level for at least nine months.

- **One-Stop Career Centers:** The Employment Development Department (EDD) operates over 250 One-Stop Career Centers throughout the state that provide employment and training services to persons with and without disabilities. At least one One-Stop Center in each of the 50 Local Workforce Investment Area must be fully accessible for persons with disabilities.

The department indicates that about 1.4 percent of the 758,000 participants in the Job Service program in 2003-04 self-identified as having a disability. Approximately 9.5 percent of the 76,200 participants in Workforce Investment Act training programs in 2003-04 had disabilities. Participants with disabilities were less likely to be

employed when exiting the program than participants without disabilities. This was particularly true for older youth with disabilities.

- **AB 925 and Governor's Committee on Employment of People with Disabilities:** AB 925 (Aroner, Chapter 1088, Statutes of 2002) established a number of changes to increase employment among persons with disabilities. Overall, this bill required the Health and Human Services Agency and the Labor and Workforce Development Agency to create a sustainable, comprehensive strategy to accomplish various goals toward increasing employment among persons with disabilities. AB 925 designated the Governor's Committee on Employment of People with Disabilities to lead the state in implementing AB 925.
- **Ongoing Challenges for Employment Services Programs**
  - **Ticket to Work Program Improvements Needed:** The US Government Accountability Office (GAO) recently reported on implementation problems and improvements needed to increase the use of this program. The GAO found that inadequate incentives for service providers and beneficiaries to participate, limited marketing, and other factors have hindered the program's success. Less than 1 percent of Ticket holders nationwide have used their Tickets, and only about 160 Ticket holders have had sufficient earnings to result in discontinuance of their disability benefits.
  - **Youth with Severe Disabilities:** Youth with severe disabilities who receive cash assistance through SSI face a difficult choice when they move to adulthood. When they turn 18, young people on SSI will be reevaluated to see if they still qualify for cash benefits. Those who decide to try to prove that they can't work may be making a choice of a lifetime of cash assistance at a very young age. The either/or nature of the SSI program makes the transition very challenging for young people with disabilities and their families. (From "Five Questions" interview on Urban Institute website with Pamela Loprest, Senior Research Associate in the Urban Institute's Income and Benefits Policy Center).

#### Questions:

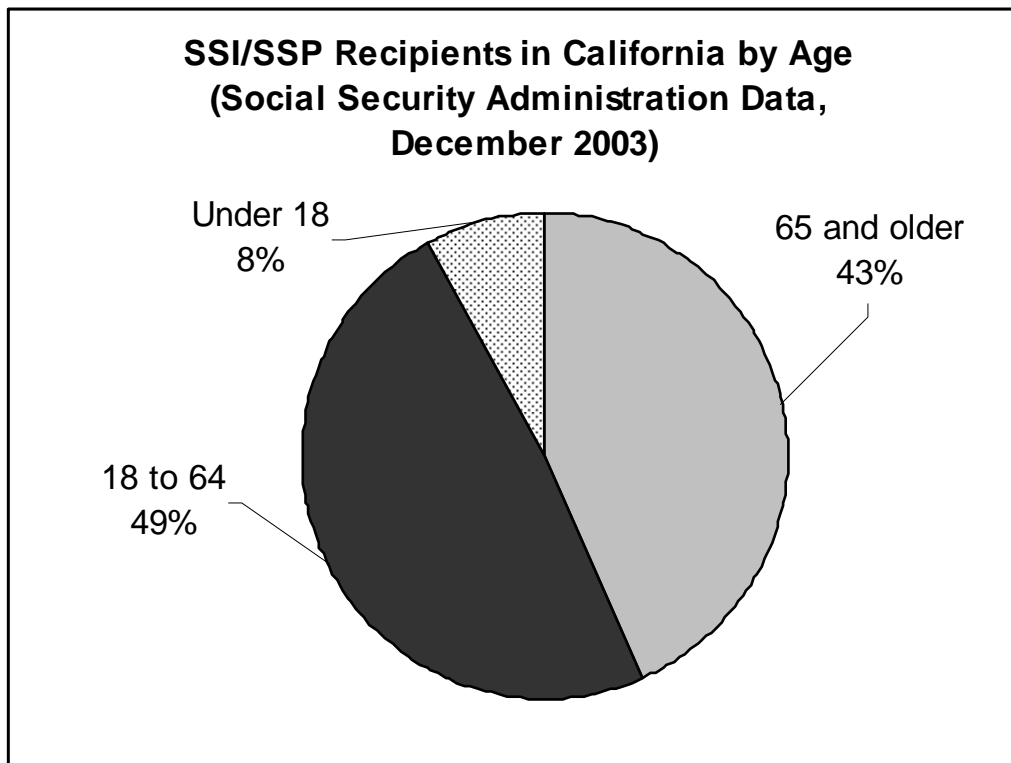
1. Berkeley Center for Independent Living: Please briefly comment on unemployment and poverty rates for persons with disabilities.
2. DOR: Please briefly describe the latest utilization figures for the Ticket to Work program, the state's efforts to increase Californians' use of the program.
3. EDD: Please briefly describe the department's efforts to enhance One-Stop Center staff training to assist persons with disabilities.

**5180 Department of Social Services (DSS)****DSS Issue 1: Suspend State and Federal COLAs for Supplemental Security Income/State Supplemental Payment (SSI/SSP) – Information Only**

**Description:** The Governor's Budget proposes to withhold the January 2006 state and federal Cost of Living Adjustments (COLAs), for savings of \$229 million General Fund in 2005-06, and \$458 million General Fund annually.

**Background:**

- **SSI/SSP Program Description:** The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Beneficiary grants generally reflect the maximum grant less any offsetting income from Social Security or other sources. The SSI/SSP program is primarily administered by the federal Social Security Administration.
- **Maximum and Average Grant Amounts:** As of April 2005, the maximum grant will be \$812 per month for an aged or disabled individual living independently, and \$1,437 per month for an aged or disabled couple living independently. The Governor's Budget projects the average grant for a disabled individual will be \$618 per month in 2005-06.



- **SSI/SSP Funding and Caseload:** The SSI portion of the grant is federally-funded, and the SSP portion of the grant is state-funded. The budget estimates total funding for SSI/SSP will be \$8.6 billion (\$3.44 billion General Fund) in 2005-06. The budget projects SSI/SSP average monthly enrollment will grow by 2.4 percent, from 1,189,000 in 2004-05 to 1,216,000 in 2005-06.
- **Annual COLA Adjustments:** Under current law, both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January through Cost of Living Adjustments (COLAs). Federal law provides an annual SSI COLA based on the Consumer Price Index, and state law provides an annual SSP COLA based on the California Necessities Index.
- **Governor's Budget Proposals:** The Governor's Budget proposes to withhold the January 2006 2.3 percent federal SSI COLA, for savings of \$84.7 million General Fund in 2005-06, and \$169.4 million annually. This is achieved by reducing the state SSP component of the grant by the same amount as the January 2006 SSI COLA. The budget also proposes to suspend the January 2006 4.07 percent state SSP COLA, for savings of \$144 million General Fund in 2005-06, and \$288 million General Fund annually.

The Administration indicates that even with these actions, California continues to provide the highest level of cash grants to SSI/SSP recipients among the ten most populous states.

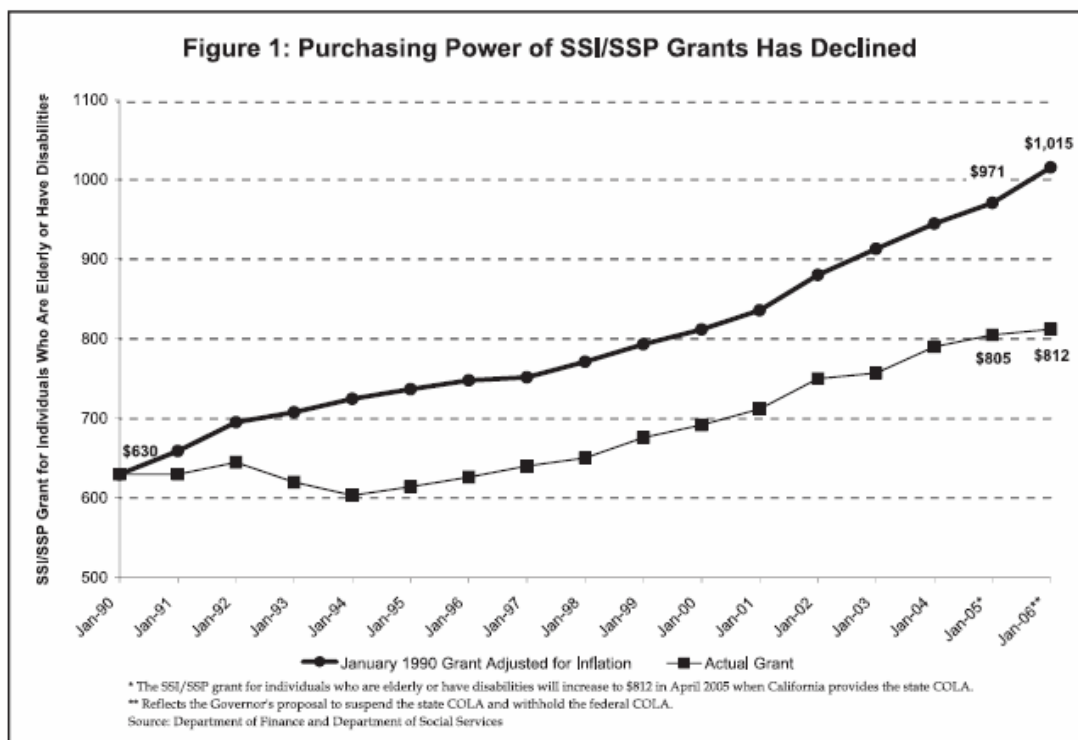
The January 2006 COLAs proposed for suspension would have increased the maximum grant for an individual by approximately \$33, to \$845 per month, and would have increased the maximum grant for a couple by approximately \$58 to \$1,495 per month. The LAO estimates that approximately 1,200 SSP-only recipients would become ineligible for SSP under this proposal. Becoming ineligible for SSI/SSP may result in a Medi-Cal share of cost for affected individuals.

- **Eroding Value of SSI/SSP Grant:** Grant levels have not kept pace with inflation in recent years due to the suspension of the January 2004 SSP COLA and the deferral of the January 2005 COLA until April 2005. Suspension of the January 2006 COLAs would further erode the ability of grant payments to keep pace with cost of living increases, such as rising food, housing, and transportation costs.

Since 1990, rent prices have increased by 36 percent and the SSI/SSP purchasing power has declined by 18 percent. Without the COLA, beneficiaries will face additional pressure to reduce spending on food or utilities as housing costs increase.

In addition, California's SSI/SSP beneficiaries are ineligible for Food Stamps benefits, due to the state's "cash-out" policy. California is the only state in which SSI/SSP recipients are ineligible for Food Stamps under this policy.

The chart below, prepared by the California Budget Project, shows the decline in the purchasing power of SSI/SSP grants since 1990.



Although the SSI/SSP grant level is higher in California than other states, housing costs in California are also higher than in other states. The fair market rent for a studio apartment exceeds the SSI/SSP grant in 10 counties in California, and exceeds 50 percent of the grant in all but two counties. According to the U.S Department of Housing and Urban Development, fair market rents for a studio apartment in California average \$772 per month, and range from \$376 in Siskiyou County to \$1,000 in San Mateo and San Francisco Counties.

State	Studio	1 Bedroom	2 Bedroom
California	\$772	\$902	\$1,104
Ohio	\$440	\$505	\$628
Pennsylvania	\$522	\$596	\$719
Michigan	\$532	\$587	\$706
Texas	\$531	\$590	\$720
Illinois	\$602	\$696	\$803
Georgia	\$601	\$651	\$734
Florida	\$601	\$674	\$799
New York	\$767	\$832	\$945
New Jersey	\$810	\$905	\$1,058

As a result, when California's grants are compared to housing costs, California's grants are comparable to other large States.

<u>State</u>	<u>Studio</u>	<u>SSI/SSP Grant for Individual</u>	<u>Grant/Rent</u>
<b>California</b>	<b>\$772</b>	<b>\$812</b>	<b>105%</b>
<b>Ohio</b>	<b>\$440</b>	<b>\$579</b>	<b>132%</b>
<b>Pennsylvania</b>	<b>\$522</b>	<b>\$606</b>	<b>116%</b>
<b>Michigan</b>	<b>\$532</b>	<b>\$593</b>	<b>111%</b>
<b>Texas</b>	<b>\$531</b>	<b>\$579</b>	<b>109%</b>
<b>Illinois</b>	<b>\$602</b>	<b>\$579</b>	<b>96%</b>
<b>Georgia</b>	<b>\$601</b>	<b>\$579</b>	<b>96%</b>
<b>Florida</b>	<b>\$601</b>	<b>\$579</b>	<b>96%</b>
<b>New York</b>	<b>\$767</b>	<b>\$666</b>	<b>87%</b>
<b>New Jersey</b>	<b>\$810</b>	<b>\$610</b>	<b>75%</b>

#### Questions:

1. DSS, please present the proposal.
2. DSS, how would this proposal affect recipients? How would recipients pay for cost increases in rent, food, and utilities?

#### **DSS Issue 2: Reduce State Participation to Minimum Wage for In-Home Supportive Services (IHSS) – Information Only**

**Description:** The Governor's Budget proposes to reduce the level of state participation in IHSS provider wages and benefits from \$10.10 per hour to the state minimum wage (\$6.75), to achieve General Fund savings of \$195 million in 2005-06, and \$260 million annually. Although the extent to which counties would reduce wages is unknown, a reduction in wages could potentially result in additional General Fund costs for the Medi-Cal, Healthy Families, and CalWORKS programs. Reduced wages would also likely result in increased provider turnover, which may reduce the quality of care for IHSS consumers and lead to increased institutionalization. Further, to the extent that wages are reduced and fewer IHSS providers are available, this proposal may result in legal action against the state under federal Medicaid statute that requires sufficient provider access.

#### **Background:**

**IHSS Program Description:** The IHSS program funds personal care services for low-income aged, blind or disabled individuals that are at risk for institutionalization. IHSS services include domestic services (such as meal preparation and laundry), nonmedical personal care services,

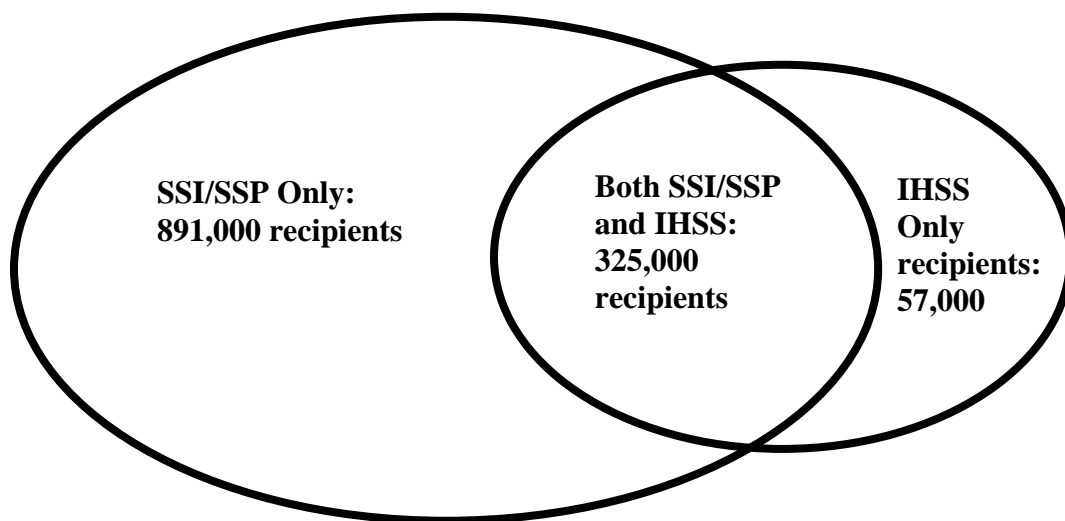
paramedical services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance. Services are provided through individual providers hired by the consumer, county contracts with service providers, or through welfare staff. County welfare department staff visit consumers in their homes to determine the number of authorized hours of service per day.

**Enrollment Summary:** The budget estimates that IHSS enrollment will increase to 382,000 in 2005-06, an increase of 7.7 percent over 2004-05 caseload. Approximately half of IHSS consumers are age 65 and older. Persons with developmental disabilities constitute more than 12 percent of the IHSS caseload.

<b>IHSS Consumer Age</b>	<b>Percent of Total Caseload (as of December 2001)</b>
1-17	5.2%
18-44	17.0%
45-64	27.9%
65-74	25.8%
75-84	18.6%
85+	5.5%

**IHSS and SSI/SSP Caseload Overlap:** In a January 2003 report, based on February 2002 data, the DSS reported that 85 percent of IHSS recipients were also SSI/SSP recipients. In that report the department also noted that about 90 percent of recipients who receive both SSI/SSP and IHSS are living independently. This is different from the overall SSI/SSP population, in which about three-quarters of all recipients are living independently.

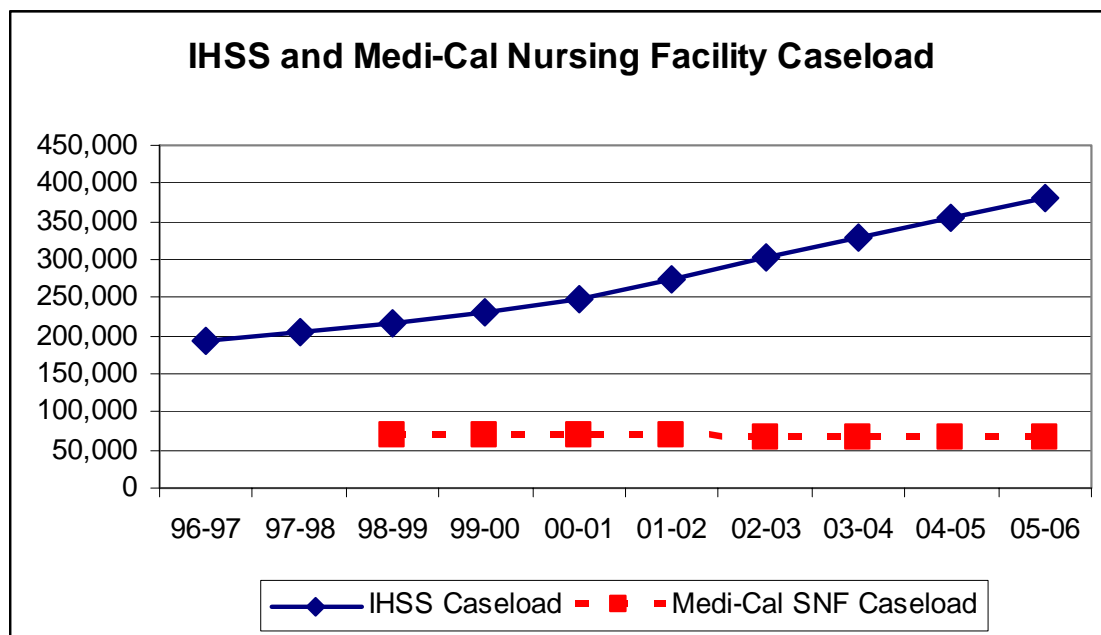
The Venn diagram below shows the overlap between IHSS and SSI/SSP caseload, using the February 2002 ratios, updated for 2005-06 estimated caseload. Note: Diagram is not drawn to scale.



**Funding Summary:** IHSS program costs are currently shared as follows: 50 percent federal funds, 32.5 percent state General Fund, and 17.5 percent county funds. The budget proposes \$3.2 billion (\$1.02 billion General Fund) for the IHSS program in 2005-06. This represents a decline of \$513 million (\$160 General Fund) below the current year funding level. The decline is due to proposed provider wage participation reductions of \$195 million General Fund, offset by an increase in funding to reflect caseload growth.

IHSS General Fund costs have more than doubled from \$527 million in 1998-99 to \$1.2 billion in 2004-05, despite \$231 million in additional federal funds from a recent federal Medicaid waiver for part of the program. Nonetheless, the average annual cost per individual (approximately \$10,300 total funds in the current year) is still less than one-fifth the cost of nursing home placement in total funds.

The program's growth rate has been fueled by multiple factors, including the establishment of a state entitlement for personal care services, population increases, an increase in the proportion of IHSS consumers who are severely disabled, greater utilization of service hours by case, and higher provider rates. In addition, a programmatic shift to support the elderly and persons with disabilities in community settings have increased the number of beneficiaries. In 1998, 92 percent of long-term care recipients lived in their own homes or in a community setting, while the remaining 8 percent were in institutions such as nursing homes or developmental centers. As the table below shows, Medi-Cal nursing home caseload has remained flat in recent years while IHSS caseload has increased.



**Current Wage Rates:** The state has participated in IHSS provider wages above the minimum wage since 1999-2000. In the current year the state participates in wages up to \$10.10 per hour, although each county's wage rates are determined by the board of supervisors and public authority that negotiates a contract with providers. Ninety-three percent of IHSS providers are currently paid more than minimum wage.

**Provider Summary:** As of February 2005, there were approximately 290,000 IHSS providers in California, according to the Making Homecare a Better Job Report. According to a DSS report from October 2000, about 43 percent of IHSS providers are immediate family members. According to an October 2001 DSS report, approximately 7 percent of IHSS providers receive assistance through the California Work Opportunity and Responsibility to Kids (CalWORKs) program. Approximately 145,000 providers were eligible for and approximately 53,000 were enrolled in health insurance offered by their county or public authority.

**Governor's Proposed Reduction:** The Governor's Budget proposes to reduce the level of state participation in IHSS provider wages and benefits. Effective July 1, 2005 state participation in 11 counties (comprising 57 percent of IHSS providers) would be reduced to the wage and benefit levels in effect on June 30, 2004. The budget reflects savings of \$43 million General Fund for this proposal. Effective October 1, 2005, state participation in IHSS wages and benefits would be limited to minimum wage (\$6.75 per hour). The budget reflects savings of \$152 million General Fund for this proposal. These two proposals would result in General Fund savings of \$195 million in 2005-06, and \$260 million annually.

The Administration points out that counties have the option of reinvesting local savings (\$112 million from 2004-05 and \$93 million from 2005-06) obtained under the recent IHSS federal waiver, to maintain existing wage and benefit levels. The Administration also indicates that this reduction would avoid more severe reductions in services.

The Governor's Budget does not include any changes to IHSS caseload, or caseload or costs for any other program, as a result of the proposed reduction in state participation for IHSS provider wages. The DSS indicates that information is not available to determine how the counties or the providers would respond to this change.

#### **Affected Counties:**

- **Above Minimum Wage:** 93% of all IHSS providers statewide are currently paid more than the state's minimum wage level of \$6.75 per hour. That 93% statistic covers providers in the following 38 counties: Alameda, Alpine, Amador, Butte, Contra Costa, El Dorado, Fresno, Glenn, Los Angeles, Marin, Mendocino, Merced, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Solano, Sonoma, Stanislaus, Ventura, Yolo, and Yuba.
- **At Minimum Wage:** 7% of all IHSS providers statewide are currently paid \$6.75 per hour. These IHSS providers are in the following 20 counties: Calaveras, Colusa, Del Norte, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Modoc, Shasta, Siskiyou, Sutter, Tehama, Trinity, Tulare, and Tuolumne.
- **2004-05 Wage Increases:** 11 counties, comprising 57.3% of statewide IHSS providers, have increased wages and/or benefits since June 30, 2004 and would, therefore, be

affected by the July 1, 2005 rollback of state sharing: El Dorado, Fresno, Los Angeles, Mendocino, Placer, Riverside, San Benito, San Diego, San Luis Obispo, Ventura, and Yuba.

- **Collective Bargaining Agreements:** 28 Public Authority counties, representing 89.62% of statewide IHSS providers, have a binding collective bargaining agreement with the exclusive union that represents IHSS providers. San Diego County has the latest expiration date on their collective bargaining agreement (January 31, 2008).
  - **County Protection:** 22 of those Public Authority counties have adopted some form of county protection within the local ordinance or collective bargaining agreement that addresses potential changes in state or federal sharing levels in IHSS wages and/or benefits. Those local protection provisions fall into two categories:
    - re-opener language that requires a meet and confer process without specifying outcomes
    - or specific language that would modify wages and/or benefits if state or federal funding is diminished.
  - **No County Protection:** 6 of those Public Authority counties have not adopted or established any county protection provisions within their ordinances or collective bargaining agreements if state or federal funding levels are changed. Those counties are Alameda, Contra Costa, Mendocino, San Francisco, Santa Clara, and Santa Cruz.
- **No Collective Bargaining Agreement:** 30 counties have not adopted any collective bargaining agreement over IHSS wages or benefits. 10 of these counties have adopted an IHSS wage that is higher than \$6.75 (7 counties pay \$7.11 per hour and 3 counties pay \$6.95 per hour). Most are currently involved with the collective bargaining process. Four counties (Glenn, Lassen, Modoc and Mono) have not completed the election to establish an exclusive (union) representative for IHSS providers and, therefore, cannot yet engage in the collective bargaining process.

#### **Issues Raised Regarding Governor's Budget Proposal:**

- **County Cost Pressures:** If all counties were to maintain wages at current levels, the Governor's Budget proposal would result in annual costs to the counties of \$260 million, over \$100 million more than the annual anticipated savings to counties from the IHSS federal Independence Plus waiver that was approved in July 2004. Moreover, counties have expressed concern that this savings is based on a five-year limited-term waiver, which is subject to federal renewal.

Furthermore, the county share of IHSS is funded through state-local realignment monies, which have not kept pace with caseload costs. Realignment revenue growth is over one year behind caseload growth: the 2003-04 revenue growth of \$134 million was used to

fund the remaining portion of 2001-02 caseload growth and a portion of the 2002-03 growth. A total of \$276 million in unfunded caseload growth remains (\$128 million in 2002-03 and \$148 million in 2003-04).

In addition, Proposition 1A reduced local government funding in 2005-06 by \$1.3 billion. Although this shift is temporary, the combined effect of the Governor's Budget IHSS proposal, the \$1.3 billion temporary reduction, and the lagging realignment funding puts pressure on counties to reduce IHSS wages in 2005-06.

- **Federal Medicaid Provider Rate Implications:** Federal law sets certain requirements for Medicaid provider rates that may apply to the IHSS program, as the IHSS program is funded with 50 percent federal Medicaid funds. The central provision of federal law that may affect IHSS provider rates is 42 U.S.C. Section 1396a(a) (30) (A) ("Section 30(A)," which requires a Medicaid State Plan to:

Provide such methods and procedures related to the utilization of, and the payment for, care and services available under the plan... as may be necessary... to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area.

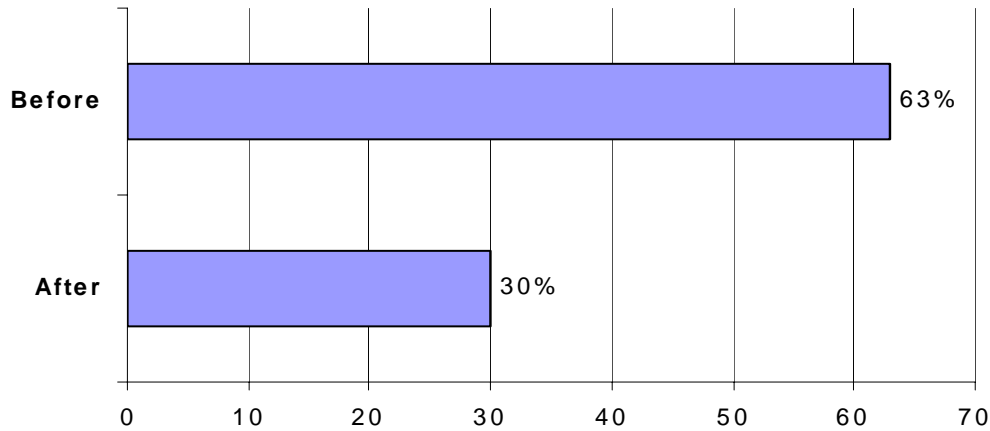
In *Clayworth v. Bonta*, the state has thus far been prevented from implementing a 5 percent Medi-Cal fee-for-service provider rate reduction, due a finding related to Section 30(A). In a December 2003 ruling, the U.S. District Court found that, "Because the State failed to consider the effect of a rate reduction on beneficiaries' equal access to quality medical services, in view of provider costs, the pending rate reduction is arbitrary and cannot stand."

- **Provider Turnover and Supply, Quality of Care, and Olmstead Compliance:**

*Note: A number of research studies have looked at various aspects of the IHSS program and other long-term care issues. The findings of many of these studies, and their applicability to potential budget reductions, are summarized in a May 2004 briefing paper prepared by the California Policy Research Center. Findings relevant to the 2005-06 Governor's Budget proposal are discussed below. The briefing paper and specific source for the research outcomes discussed below may be found at: <http://www.ucop.edu/cprc/boris.pdf>*

Research indicates that provider turnover has been reduced where wages have risen. For example, when IHSS wages rose from the minimum wage to \$10.10 per hour in San Francisco, turnover decreased by 24 percent, and the supply of homecare workers doubled for both family and nonfamily providers.

**San Francisco Turnover of New Providers  
Before and After Wage and Benefit Increases**



Currently 27 percent of all IHSS providers leave their jobs every year, including 35 percent of non-family providers and 22 percent of family providers. Based on a recent 5-county survey<sup>1</sup>, nearly half of the providers surveyed believed it would be possible to find another job with wages and benefits comparable to their current pay. This survey also found that nearly half of all providers surveyed believed it would be possible to find another job with wages and benefits comparable to their current pay, and if wages fell below current levels at least 12,000 providers would look for other jobs.

Furthermore, other research has linked consumer satisfaction and positive outcomes with lower turnover. To the extent that reducing wages has the opposite effect, and increases provider turnover, quality of care may be reduced.

Research also indicates that if family providers shift to outside employment and nonfamily providers are hired instead, nursing home admissions and homecare nurse visits may increase. To the extent that wages are reduced and nonfamily providers are hired instead, additional Medi-Cal costs may result from the Governor's proposal.

In a 2001 report, the DSS projected a widening gap between IHSS providers and consumers. In 2000 the ratio of consumers to providers was roughly 1.2:1. This could increase to 1.4:1 by 2020 and to 1.8:1 by 2040. If counties reduce wages, this gap may widen.

Finally, an IHSS wage reduction may affect California's compliance with the July 1999 Supreme Court *Olmstead v. L. C.* decision. This decision interpreted Title II of the Americans with Disabilities Act and its implementing regulation, requiring States to

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<sup>1</sup> Survey of 4,800 IHSS providers in 5 counties (Los Angeles, San Francisco, Sutter, Yolo, and Yuba) during July-September 2004 under the "Making Homecare a Better Job" project, part of the Better Jobs, Better Care Program, funded by the Robert Wood Johnson Foundation and Atlantic Philanthropies.

administer their services, programs, and activities "in the most integrated setting appropriate to the needs of qualified individuals with disabilities." California's Health and Human Services Agency is currently coordinating efforts to implement the state's Olmstead plan, including efforts to shift nursing home and other institution residents back to home- and community-based settings. Reduced IHSS wages may affect the availability of IHSS providers to support these transitions out of institutions.

- Offsetting Costs in Other Programs:** Research indicates that the cost effectiveness of home- and community-based services relative to nursing homes is complex and depends on such factors as the level of care consumers need, which makes it difficult to give an overall assessment of relative costs. However, based on the assumptions in the table below, the Governor's Budget proposed savings would be fully offset if 4.4 percent of IHSS consumers shifted from IHSS to skilled nursing facilities (SNFs) due to provider turnover. Since the state has a lower share of cost for IHSS (32.5%) than for SNFs (50%), maintaining consumers in IHSS rather than SNFs may be more cost-effective for the state in many circumstances.

Medi-Cal Skilled Nursing Facility (SNF) Resident (average annual General Fund cost)	\$26,600
IHSS Consumer (maximum annual General Fund cost for 283 hour/month at \$10.10/hour)	\$11,150
Difference between IHSS max cost and SNF average cost	\$15,450
IHSS Wage Roll-Back Annualized General Fund Savings	\$260,000,000
Number of IHSS Consumers Shifted to SNF that would entirely offset Governor's Budget Savings	16,828
Percent of IHSS 2005-06 Caseload represented by 16,828	4.4%

Furthermore, wage reductions for IHSS providers may result additional costs for community care facilities for persons with developmental disabilities. Reduced wage may result in the loss of providers and the ability to attract new providers with the necessary skills to serve this population. Services most likely affected by wage reductions include independent and supported living options.

In addition, if all counties discontinued health insurance in response to the Governor's proposal, 53,000 IHSS providers would lose insurance coverage, according to research under the Making Homecare a Better Job project. That research indicates that if all counties reduced wages to \$6.75 per hour, an estimated 22,500 new people would enroll in Medi-Cal, and the additional Medi-Cal costs could offset at least 55 percent of the proposed IHSS savings. Based on this survey, an estimated 2,280 consumers may shift to SNF care

If all counties were to reduce wages to the minimum wage, the DSS indicates that CalWORKs grant costs would increase by up to \$10 million in 2005-06, due to the reduction in recipient earned income. The impact to the CalWORKs caseload is unknown. It is possible that there may be some additional families that become eligible

for CalWORKS if wages were reduced. However, it is not possible to determine the number given the lack of characteristic data available for IHSS providers.

**Questions:**

1. DSS, please present the Governor's proposal.
2. DOF, is this proposal consistent with the letter and intent of Proposition 1A? What other cost pressures are counties facing in 2005-06, under existing law and as a result of the Governor's Budget? What is the status of Realignment revenue growth and caseload growth for IHSS?
3. DSS/DOF, how many counties do you expect may reduce provider rates under this proposal?
4. LAO, what factors will affect county funding decisions for IHSS under this proposal? How likely is it that some counties would reduce provider wages?
5. DHS, what are the key federal requirements for Medicaid provider rates with regard to quality of care and equal access? Is the Governor's Budget proposal consistent with the access and quality of care provisions of Section 30(A) of federal Medicaid statute? Has a rate study been performed for the IHSS program?
6. DSS, if IHSS wages are reduced, how would that affect provider turnover and quality of care? Is the Governor's Budget proposal consistent with the state's Olmstead plan?
7. DSS, what offsetting costs may result from this proposal, including nursing home costs, other Medi-Cal costs, CalWORKs costs, and Regional Center costs?
8. DSS, a 2001 DSS report projects a widening gap between the number of providers and consumers, assuming current law. How is the Governor's Budget proposal consistent with the need to address that widening gap?